

805 KAR 1:080. Gas storage reservoirs; drilling, plugging in vicinity.

RELATES TO: KRS 353.500, 353.520, 353.540, 353.550, 353.560

STATUTORY AUTHORITY: KRS 13A.100, 353.540, 353.670

NECESSITY, FUNCTION, AND CONFORMITY: Provides for the protection of the integrity of gas storage reservoirs by requiring certain techniques of drilling, casing, operating and plugging be applied when operating in the vicinity of gas storage reservoirs.

Section 1. Purpose. Rules and administrative regulations set out herein are designed for the protection of gas storage reservoirs which are natural resources of the state, and no person, firm or corporation shall cause physical damage to, or create a hazardous condition threatening the existence of such a reservoir in any manner as to make any such reservoir less susceptible for use for gas storage. Any well penetrating, drilled to a geologic stratum overlying, and drilled in the vicinity of an underground gas storage reservoir shall be maintained at all times in such a manner as will both:

- (1) Exclude the encroachment of oil, gas or water into such reservoir; and
- (2) Protect such reservoir from a blowout or waste of gas during the drilling of and after completion and/or plugging of such well.

In addition, this administrative regulation has as its purpose the equitable adjustment of correlative rights of gas storage owners and oil and gas operators and it shall be liberally construed to give effect to such public policy.

Section 2. Definitions. (1) "Gas storage reservoirs" are special geologic and geometric elements of underground strata which are or can be so arranged and situated as to be recognized as useful for the retention, injection, storage and recovery of gas therefrom on a commercial service level.

(2) "Underground gas storage" is the utilization of subsurface strata and associated facilities for storing and withdrawing gas held in place for the primary purposes of conservation, fuller utilization of pipeline facilities, and more effective and beneficial service of gas to the public.

(3) "Gas storage operator" is any corporation, partnership, or individual who is engaged in the work of preparing to inject, or who injects gas into, or who stores gas in, or removes gas from, a gas storage reservoir, and who owns the right to do so, including but not limited to those engaged in transporting and delivering such gas in public service.

(4) "Well operator" is any person who proposes to or does locate, drill, operate or abandon any well.

(5) "Well" is any borehole drilled or proposed to be drilled, deepened or reopened for which a permit is required by KRS 353.570(1).

Section 3. Establishment of a Gas Storage Reservoir. (1) Before any area may be declared to contain one or more gas storage reservoirs for the purpose of this administrative regulation the gas storage operator shall file with the Director of Oil and Gas Conservation as to each such reservoir, a certificate of convenience, issued by the Federal Power Commission or its successor, if such is issued, a certificate of convenience issued by the Kentucky Public Service Commission or its successor, if such is issued, or a declaration of intent, found by the department to be bona fide, prepared by the gas storage operator to develop a gas storage facility. The above cited filing shall be accompanied by a map, prepared on the scale of one (1) inch equals 2,000 feet and using the appropriate seven and one-half (7 1/2) minute topographic map as the base, which outlines in detail the properties on which storage rights have been or are being obtained, whether by purchase or condemnation, and an outline of the storage reservoir protection zone as suggested by the storage operator. This protection zone shall be no wider than 2,000 feet from the nearest property on which gas storage rights have been or are being obtained and the width shall be subject to the approval of the de-

partment based on the characteristics of the reservoir and the maximum anticipated storage pressure.

(2) The required map shall be refilled at any time that storage rights on additional acreage are acquired or at any time that acreage on which storage rights have been acquired is eliminated.

(3) No gas shall be moved and stored until the above cited filing is made with the director. This does not include moved and stored gas which is to be used to determine whether or not underground gas storage is feasible.

(4) Any operator of an existing gas storage reservoir shall file the above cited certificate or declaration and map with the director within sixty (60) days of the date that this administrative regulation becomes effective.

Section 4. Application for Permit to Drill, Deepen or Reopen a Well on Property Where Gas Storage Rights are Acquired. (1) Before drilling, deepening or reopening a well on any property where gas storage rights have been acquired the well operator shall at the time of filing with the department also forward to the gas storage operator by registered or certified mail, or by personal service a copy of the application and plat.

(2) On any property where there is an outstanding oil and gas lease or on any property on which producing wells are located it shall be the responsibility of the gas storage operator to notify the well operator at the time storage rights are acquired of such acquisition and that a copy of all future applications to drill, deepen, or reopen wells by the well operator shall be furnished to the gas storage operator.

Section 5. Application for Permit to Drill, Deepen, or Reopen a Well on Property Where Gas Storage Rights are Not Acquired but which Lies Within the Storage Reservoir Protection Zone. When any application for permit to drill, deepen, or reopen a well is received by the department where the location of the proposed well will fall within the storage reservoir protection zone, the department shall notify the well operator and the gas storage operator of the receipt of the application by first class mail, postage prepaid.

Section 6. Objection and Hearing. (1) Upon receipt of an application to drill, deepen, or reopen a well on any property on which gas storage rights have been or are being acquired or upon any property which lies within the storage reservoir protection zone, the department shall hold the application for five (5) days. This will enable the gas storage operator to file with the department specific objections to the proposed well; and if the objections are so filed, the gas storage operator shall, at the same time, serve the same upon the well operator by registered or certified mail, or by personal service and the department shall fix a time and a place for a hearing, not more than ten (10) days after the end of the five (5) day period, at which hearing the objections shall be considered. At the hearing, the well operator and the gas storage operator or such of those as are present or represented, shall consider the objections and either agree upon the drilling of the well as proposed or make such change in the drilling program as to satisfy all objections and meet the approval of the department. All changes agreed upon in the drilling of such well shall be set out on an amended application for permit to drill by the well operator and filed with the department within a reasonable period of time after the hearing. The department, upon receipt of the amended application, shall issue to the well operator a drilling permit approving the drilling of such well. If the gas storage operator and the well operator are unable to agree at the hearing, the department shall, in view of the purpose and intent of KRS Chapter 353, issue to the well operator a permit to drill such well either as originally proposed or with such added or corrective program as the department deems appropriate to protect the underground gas storage reservoir and prevent the loss of gas therefrom without unnecessarily restricting drilling operations.

(2) If the gas storage operator and the well operator cannot agree on the program under which the well is to be drilled, completed and plugged, the department shall in its order specify what costs, if any, in excess of costs normally expended in the drilling, completion, and plugging of the well shall be borne by the gas storage operator and shall specify when and in what manner payment for such costs shall be made.

(3) The gas storage operator may waive objections by letter, telegram, or telephone, provided such telephone notice of waiver is followed by a written waiver, to the department on any one (1) well, group of wells, all wells to be drilled by a well operator, all wells to be drilled in a specific area or on a specific lease. If such waiver or waivers are filed with the department, and the department having determined that the public interest is being served, the department shall issue the permit without delay.

Section 7. Notice to Well Operator. The gas storage operator shall give to the well operator a notice of intention to drill, deepen, or reopen a well in the manner provided for in Section 4 of this administrative regulation. Notice shall be required only to the well operator in possession at the time rights of storage are acquired or his successor in interest if the latter notifies the gas storage operator in writing of his acquisition. The well operator shall have the same rights and obligations as does the gas storage operator with respect to objections and hearing as detailed in Section 6 of this administrative regulation.

Section 8. Notice of Intention to Plug Wells. (1) Prior to the abandonment of a well drilled through or which penetrates an underground gas storage reservoir, or which is drilled through or which penetrates the same stratigraphic horizon as the gas storage reservoir in the storage reservoir protection zone, the well operator shall notify the gas storage operator and the department of their intention to plug and abandon the well. The notice shall be timely and reasonable in order that representatives of the gas storage operator and the department will have the opportunity to be present at the plugging and filling of the well. Whether or not such representatives appear, the well operator may proceed, at the time fixed in his notice, to plug and fill the well.

(2) Upon receipt of notice of intention to plug, the gas storage operator may, at his option, and after determining from the well operator the physical condition of the well, elect to plug the well or bear the entire cost of plugging. The option may be exercised only for the purpose of plugging the well. If the option is exercised, the gas storage operator shall notify in writing both the well operator and the department of his election. The well operator shall then advise in writing both the gas storage operator and the department the condition of the well, any equipment or pipe that may be in the well and the existence and type of any equipment or materials that have been lost in the hole. Upon receipt by the department of the notice required of the gas storage operator and the advice required of the well operator, the department shall cause the well operator's bond to be released and the well shall be placed under the bond of the gas storage operator.

(3) When the plugging and filling have been completed, an affidavit setting forth the time and manner in which the well was plugged shall be made by two (2) experienced men who participated in the work. The affidavit shall be made on forms furnished by the department. One (1) copy of the affidavit shall be retained by the person that caused the well to be plugged, one (1) mailed to the gas storage operator or the well operator and one (1) to the department.

Section 9. Drilling Against High Reservoir Pressures. Whenever possible, the drilling into or through storage reservoirs will be conducted when the reservoir pressure is equal to or less than the original formation pressure and such original formation pressure shall be provided by the gas storage operator.

Section 10. Nothing in this administrative regulation shall be construed to prohibit a well operator or a gas storage operator from drilling a well that he would otherwise have the right to drill. (O&G-M&M-7; 1 Ky.R. 1071; eff. 6-11-75.)